



# EIB World Trade Headlines

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## UPDATED GUIDANCE ON RESTRICTIONS TO VENEZUELA

**What do the Venezuela prohibitions in E.O. 13808 mean?  
Are they blocking actions?**

**FAQ's See 508 through 527**

**[https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq\\_other.aspx#527](https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#527)**

**Why is OFAC imposing sanctions and issuing general licenses specific to bonds and other securities?**

The Government of Venezuela is selling assets for much less than they are worth at the expense of the Venezuelan people and using proceeds from these sales to enrich supporters of the regime. Bonds and other securities are among the assets being sold. The prohibitions and related general licenses are meant to prevent U.S. persons from contributing to the Government of Venezuela's corrupt and shortsighted financing schemes while mitigating market disruptions and harm to investors. [08-25-2017]

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## National Institute of Aerospace in Hampton wins grant for accelerator program

News came earlier than expected regarding the winner of a federal \$499,833 i6 Challenge grant and it was good news.

The National Institute of Aerospace in Hampton was awarded the grant. 757 Angels and Reinvent Hampton Roads partnered with the institute to propose the 757 Accelerate program.

According to the U.S. Department of Commerce, 757 Accelerate was the only winning applicant in the state. It competed against 200 other nonprofits, institutions of higher education and entrepreneurship-focused organizations in 28 states.

James Closs, institute director of research program development, said he was thrilled it could have a role in the project.

“We anticipate that the 757 Accelerator will help create at least 15 new viable companies in the area, contributing more than 100 new jobs,” Closs said in a new release.

The program, which included an unprecedented regional collaborative of five cities, six universities, one private corporation, 30 economic development and nonprofit organizations and five government representatives, is geared toward strengthening the entrepreneurial ecosystem in Hampton Roads.

The coalition includes Hampton, Norfolk, Chesapeake, Newport News and Portsmouth; Old Dominion University, Norfolk State University, Eastern Virginia Medical School, Christopher Newport University, The College of William & Mary and Thomas Nelson Community College; and TowneBank.

With the coalition seeking federal funding – and the award of the i6 Challenge grant – things are moving in the right direction to help move startup companies from the pre-revenue stage to profitability and job creation.

The accelerator program will select promising startup and early stage companies in emerging technology sectors to work with mentors, investors, support services and educational opportunities.

“The award of this grant is not just a happy ending, but rather an exciting beginning,” said Monique Adams, 757 Angels executive director, in a news release. “The real story here is the collaboration that will grow the economic diversity of not only Hampton Roads, but Southeastern Virginia.”

## Airbus Reaches Milestone Number of Aircraft Flying in North America

The number of in-service Airbus commercial aircraft in North America reached a new high of 1,500 following the delivery of an A321 to American Airlines on Friday. The company delivered its first North American-operated aircraft to U.S.-based Eastern Airlines in 1977 and has gone on to tally more than 2,000 orders with 25 airline companies and lessors in the region.

A celebration was held at the Airbus U.S. Manufacturing Facility in Mobile, AL, with delivery teams from American Airlines and Airbus marking the milestone.

Paul Oliver, Vice President-Customer Services for Airbus Americas, praised the teamwork of both Airbus and American citing their commitment to hard work in advancing the future of airline transportation. “This milestone showcases the continued growth of commercial aviation in North America – and our four decades of commitment to providing the right aircraft at the right time with benchmark customer support for our customers. We’re proud to recognize this milestone with our partners at American Airlines, and it’s gratifying for it to happen with an aircraft built in the U.S.”

American Airlines operates more Airbus passenger aircraft than any other airline in the world. Since the first delivery of 25 Airbus aircraft to American in 1988 and 1989, the relationship between both companies has grown, with American now flying 416 Airbus aircraft in their fleet, with another 122 on order.

Joe Maloy, Director of Fleet Acquisitions, Dispositions and Records for American Airlines was in Mobile to accept the aircraft. “As the world’s largest operator of Airbus aircraft, American Airlines is proud to accept the 1500th in-service Airbus aircraft in North America, and that the aircraft was built at the state-of-the-art manufacturing site in Mobile, Alabama. American greatly values our relationship with Airbus. Congratulations to Airbus for reaching this milestone!” he said.

The 1,500 in-service aircraft milestone exemplifies the growing need in North America for Airbus commercial aircraft. In its lifetime, Airbus has globally received 17,287 orders across its product line, with more than 10,000 delivered. Over the next 20 years, Airbus predicts that more than 5,900 new aircraft will be required in North America.

Source : Airbus, an EADS N.V. company (Paris: EAD.PA)

## BAE Systems Engineers Develop Novel Technology to Protect Pilots from the Dangers of Laser Attacks

BAE Systems engineers have developed a low cost, lightweight, flexible system that can block dangerous laser light, protecting pilots and flight crew from hostile attacks. Using a novel approach, the technique is selective in the way it prevents laser transmission, meaning a high level of natural light can still pass through the canopy with minimal colour distortion. As a result, pilots are protected from dangerous laser incidents with no deterioration in vision.

Laser attacks targeting pilots and air crews are becoming a major concern, with the CAA reporting more than 1,400 laser attacks on UK aircraft in 2015 alone. Most reported attacks took place during take-off and landing, or on hovering police helicopters, and are carried out using cheap, high-powered handheld devices that are readily available on the internet. The attacks can distract pilots and flight crew, obscure instruments and dials, and cause short-lived 'flash' blindness or even permanent eye damage.

BAE Systems Executive Scientist, Dr Leslie Laycock said: "Lasers operate at specific wavelengths. A series of successful laboratory trials have proven our method is effective against a wide range of laser wavelengths. We have been able to achieve a visible light transmission in excess of 70%, which means that our system allows the majority of the light through while providing protection without the need for heavily tinted industrial goggles. This allows pilots to more effectively see instruments and their surroundings, whilst simultaneously blocking the dangerous laser light."

BAE Systems Research Engineer, Daniel Black said: "Having seen laser attacks on pilots reported in the news, I have spent a number of years working to find an effective solution to combat this problem. Ideas are often spawned in unlikely places; this idea was conceived whilst on holiday watching a 3D film. Rather than watching the film I looked at the way 3D glasses form an image by blocking light. I then started to piece together a way of creating a very specific filter that is capable of blocking harmful laser light while maintaining excellent visibility."

As technology advances, the wavelength of proliferated lasers may change. Due to the adaptability of this technology, pilots will continue to be protected as the film can simply be upgraded and selectively tuned to combat new laser threats. The next phase of development will see experimentation and commercialisation within the public sector.

Source : BAE Systems PLC (LSE: BAES.L)

## How Switzerland Became The Silicon Valley Of Robotics

Switzerland. Mountains, lakes, chocolate, fondue and banks? Right? Only partly. The Alpine nation is now "the Silicon Valley of robotics," according to Chris Anderson, chief executive of 3D Robotics.

Zurich boasts Google's largest campus outside California, employing nearly 2,500 engineers, including more than 250 artificial intelligence specialists, with capacity to grow the total workforce there to 5,000.

The Swiss office of Disney meanwhile carried out the computer graphics working for the movie-maker's Frozen super-hit. And the key personnel and technologies of Deepmind, the artificial intelligence firm acquired by Google for \$500 million just four years after its formation, emanate from Lugano IDSIA Lab, a research institute ranked in the world's top ten for AI.

Switzerland has emerged as a serious competitor to California for the technologies, people and funding that will power the world's fourth socio-economic revolution.

Ranked for the past seven years as the world's most innovative country by Cornell, the World Intellectual Property Organization and the INSEAD business school in Paris, the nation has also been selected by accountants KPMG as the world's best-prepared country for long-term change — a measure highly relevant for robotics and automation pioneers who seek to shake up the societal status quo.

Technical institutes ETH Zurich and EPF Lausanne consistently rank as Europe's finest. With only 8.5m people, Switzerland has the world's highest proportion of peer-reviewed scientific publications in relation to its population.

Its infrastructure also includes a growing presence of firms specialising in blockchain technology, which as well as being used for financial technology, now features heavily in e-government, smart contracts, swarm robotics, collective artificial intelligence and applications for retail.

### Crypto Valley

Technologists love calling places after valleys and Switzerland has plenty of natural ones. To these have been added Crypto Valley, the area around the Swiss city of Zug, reflecting its growing its status as the most Blockchain-friendly place in the world.

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The community includes open source blockchain-based computing platform Ethereum, bitcoin wallet and vault Xapo, which moved its headquarters there from Silicon Valley, and the Monetas financial infrastructure platform, which relocated its head office from Vancouver to Zug.

The Swiss city of Lausanne has also recently been chosen as the European base of Rewired, a robotics-focused venture studio and fund that believes that improving sensory capabilities will unlock the next-generation of smart robotics and is investing in applied science and technologies that advance machine perception.

Rewired is committed to helping develop technologies that enable robots to cope with real-world environments, make good decisions in real time, and help humans do more with less. It plans to expand into East Asia and the U.S.

The venture is investing \$100 million in applied science and technologies that advance machine perception on the thesis that improving machine perception will unlock the next generation of smart robotics.

It is focusing on the sensors, software, and systems that help autonomous machines to interact with unpredictable environments and collaborate with humans.

#### Smart Robotics

“Our strategy is to invest for the long term in core technologies that lay the foundation for smart robotics,” says Rewired venture partner Santiago Tenorio.

“Real-world environments are highly unpredictable, unlike controlled ones like warehouses and factories. The next generation of smart robots must be able to gather diverse data about their surroundings and holistically interpret it in order to model the world and productively interact with it,”

“The robotics-focused studio we’re building is a global hub for interdisciplinary innovation that will generate new forms of human-machine collaboration across an increasingly broad spectrum of activities.”

Tej Kohli, the Indian billionaire well-known for his pioneering work in solar energy and remedying corneal blindness, is also committed to investing in artificial intelligence and is backing Rewired through Cascade Global, a multi-family office.

He believes that advancements in robotics will not only power the next industrial revolution but also create a massive opportunity for doing good and will improve the quality of human life in unprecedented ways.

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“I am deeply committed to helping shape these technologies towards outcomes that are clearly immensely valuable to society and I have full confidence that Rewired will achieve their lofty goals,” he says.

“What I like about Rewired is that it is driven by a more humanitarian notion of robotics and artificial intelligence.”

Rewired’s advisers include Thomas Estier, a Switzerland-based serial robotics entrepreneur who has worked on projects for the European Space Agency.

The venture says it was drawn to Switzerland by the nation’s highly multicultural nature, with foreigners making up more than 20% of the population and more than 60% having immigrant backgrounds.

It also credits the country’s taxation system, friendliness to research and development investment and sizeable pool of expert technologists.

Google agrees. “Because Google itself started out in a garage, we believe that big ideas often start small,” Patrick Warnking, the company’s director for Switzerland, said earlier this year.

Google is a founding member of digitalswitzerland, an association working to position Switzerland as an international digital hub.

“We believe that partnerships — in economics, research, and policy — are important factors in this success for Switzerland,” said Warnking,

“That’s why we’re delighted for the opportunity to be at the heart of Zurich during such exciting times through research agreements, continuing education initiatives for SMEs, and initiatives like digitalswitzerland to promote innovation at and for the site.

“We’re optimistic about the latest expansion and to continue working together with our partners to increase innovation in Switzerland and to shape the future.”





## ESSEX JUNCTION, Vt. (AP)

Gov. Phil Scott and the state Chamber of Commerce are working together to encourage economic cooperation with the aerospace industry in Quebec and elsewhere by promoting state businesses that provide parts and services for the aerospace and aviation industries.

On Wednesday, Scott, a Republican, visited a trade show in Essex Junction, where businesses are trying to make connections with potential customers. He said the conference of 100 exhibitors from Quebec, Vermont and other New England states brought together buyers, suppliers and others who help create growth opportunities for Vermont businesses.

"Vermont is more than just our wonderful craft brews, the most wonderful cheeses in the world as well as the best-tasting maple syrup in the world," Scott said.

He said there are many high-technology, advanced-manufacturing and aerospace and aviation companies in Vermont that together contribute \$3 billion a year to the state's economy.

Right now, there are about two dozen Vermont companies that can manufacture, repair and overhaul aviation equipment. The state is trying to attract more, said Chris Carrigan, the vice president for business development for the Vermont Chamber of Commerce.

"What we are really trying to do is transform Vermont into a supply chain hub," Carrigan said.

## Closing Statement of USTR Robert Lighthizer at the Third Round of NAFTA Renegotiations

Ambassador Lighthizer:  
Good Afternoon.

First, thank you Minister Freeland, Canadian government officials as well as Canadian citizens for the welcome and hospitality you have provided to us in hosting this third round.

I would like to also offer the thoughts and prayers of Americans for our friends in Mexico who are dealing with these terrible earthquakes. Mexico, of course, is a great and strong country, and we are sure that you will have the resilience to rebuild stronger and better than ever. But it's a very tough time, and the United States is pleased to help, as well as our thoughts and prayers.

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It is fitting that we have been negotiating here in Ottawa – a city known for its rich history in trade. Canada is celebrating 150 years in 2017, but for thousands of years the Ottawa River Valley has been a center of trade, and the present capital city is now also a center for trade policy. So it's a special honor to be here in Ottawa.

Here at the close of round three of these negotiations, I join Minister Freeland and Secretary Guajardo in welcoming the progress that was made to this point.

I also join them in thanking the six or seven hundred people from our three governments who have been working of this issue. And I think it's important for everyone to realize just how big this is. This is hundreds and hundreds of pages of very technical, technical work that covers really almost the entire of all of our economies, in one way or another. And there's six or seven hundred people working weekends and very long hours to get to where we are, and they are dedicated to continuing until we get to the end of the process.

I also echo my counterparts' remarks on closing the chapter on Small- and Medium- sized Enterprises. These businesses are the engines that drive each of our economies. They represent great ingenuity and hard work, turning businesses into dreams and into reality. They employ millions of our citizens. And, when they look to trade internationally, they first look to trading in North America.

So it's very, very important that we completed this chapter.

Additionally, significant progress continues to be made in numerous other areas, including competition policy, digital trade, State Owned Enterprises, sanitary and phytosanitary measures, customs, and telecommunications. But of course, there is an enormous amount of work to be done, including on some very difficult and contentious issues.

We continue to push for ways that will reduce the U.S. trade deficit. We are committed to a substantial renegotiation that reinvigorates U.S. industry and ensures reciprocal market access for American farmers, ranchers, and businesses.

The negotiations are continuing at an unprecedented pace, and the United States looks forward to hosting the next round in Washington, DC in about two weeks.

Minister Freeland, Secretary Guajardo – thank you both for your continued engagement in the NAFTA renegotiation process. I am hoping that our countries are capable of producing a new NAFTA that will fuel economic growth for all of us in North America in the years to come.

Thank you very much.

## DTAG September 2017 Plenary Meeting Update

The Defense Trade Advisory Group (DTAG) held its most recent open session meeting on September 8, 2017. For those unfamiliar with DTAG, it is a committee of industry members appointed by the U.S. Department of State, Directorate of Defense Trade Controls (DDTC) to provide regular consultation and coordination with DDTC on issues involving U.S. laws, policies, and regulations (specifically, the International Traffic in Arms Regulations (ITAR)). Additional information on DTAG, as well as minutes and presentations from past meetings can be found on DDTC's website. F.A.I.R.'s Executive Director, Johanna Reeves, is a current member of DTAG.

The Deputy Assistant Secretary of State for Defense Trade, Brian Nilsson, kicked off the meeting with introductory remarks on the state of affairs at DDTC. The following are highlights from DAS Nilsson's remarks:

- There has been movement on the rewrites for U.S. Munitions List Categories I (Firearms, Close Assault Weapons and Combat Shotguns), II (Guns and Armament), and III (Ammunition/Ordnance). There has been a series of inter-agency meetings to discuss the rewrites, and the target for publication of these rules is "within the next year." However, the Department of Commerce must publish a rule amending the Export Administration Regulations (EAR) to accept the items that will move off of the USML. Unfortunately, the Department of Commerce does not qualify for the foreign affairs exemption from Executive Order 13771, as does DDTC. Executive Order 13771 requires that "when an executive department or agency...publicly proposes for notice and comment or otherwise promulgates a new regulation, it shall identify at least two existing regulations to be repealed." This means that if the Department of Commerce is delayed in meeting its Executive Order 13771 obligations, this will impact the timeline for publication of rewritten Categories I, II, and III because DDTC cannot remove items from the USML without the Department of Commerce being able to issue simultaneously a rule adding the items to the Commerce Control List (CCL) under the Export Administration Regulations (EAR).
- Clean up rules for USML Categories V and XI are expected because of Commodity Jurisdiction (CJ) requests that have been adjudicated.

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- A revision to §126.4 is currently in interagency review, then will be sent to OMB for publication in the Federal Register.
- A revision to the 123.4 exemption for repair and return of defense articles has been drafted, but is receiving scrutiny during the OMB review process.
- Some Advisory Opinions (AO) and General Correspondence (GC) have been delayed because they require high-level regulatory approval. Since there are no confirmed political appointees within the Bureau of Political-Military Affairs (PM), which is the Bureau under which DDTC is housed, any AO or GC that requires such regulatory approval must go to Secretary of State Tillerson for signature.
- The UAV export policy is under review. This will be the first policy review undertaken by this Administration.
- Improvements to the Defense Trade Cooperation Treaties with the U.K. and Australia are being reviewed in hopes to identify improvements that can make the Treaty Exemptions more user friendly.
- A review of the current suppressor and silencer policy is being undertaken. Currently, approval is only given for official end-users (i.e., not for civilian end-use).

DAS Nilsson also noted that there is an inter-agency partnership currently underway, which is considering a wholesale rewrite of the ITAR. The purpose of this endeavor is to clarify the ITAR and make it easier to understand and follow. This proposed ITAR rewrite would be done in phases, through a series of rules:

1. First would be a restructuring of the ITAR. This rule has been drafted, but is currently under review at the White House.
2. Rules would follow to revise and update definitions.
3. Updates to Part 124 to add to the ITAR certain information that is currently contained in the Guidelines for Preparing Agreements.

The next public DTAG meeting is scheduled for December 7, 2017. There will be a publication in the Federal Register announcing the meeting and providing instruction for public attendance, for those interested in sitting in on the next DTAG open session.

## Chinese National Sentenced In Manhattan Federal Court To 3 Years In Prison For Attempting To Illegally Export High-Grade Carbon Fiber To China

Joon H. Kim, the Acting United States Attorney for the Southern District of New York, and Dana J. Boente, the Acting Assistant Attorney General for the National Security Division of the Department of Justice (“NSD”), announced that FUYI SUN, a/k/a “Frank,” a citizen of the People’s Republic of China (“China”), was sentenced today in Manhattan federal court to three years in prison for violating the International Emergency Economic Powers Act (“IEEPA”) in connection with a scheme to illegally export to China, without a license, high-grade carbon fiber, which is used primarily in aerospace and military applications. SUN pled guilty on April 21, 2017, before United States District Judge Alvin K. Hellerstein, who also imposed today’s sentence.

Acting Manhattan U.S. Attorney Joon H. Kim said: “For nearly five years, Fuyi Sun tried to skirt U.S. export laws to obtain high-grade carbon fiber for the Chinese government. He spent thousands of dollars and took years of covert actions to avoid detection of his plan to purchase this highly protected material. Unbeknownst to Sun, however, he wasn’t making a deal with an unscrupulous company— he was dealing with undercover federal law enforcement agents, who foiled his clandestine plot.”

NSD Acting Assistant Attorney General Dana J. Boente said: “Today, Sun is being held accountable for attempting to procure high grade carbon fiber – a material which has dual aerospace and defense applications – for a source he identified as the Chinese military. Identifying and prosecuting those who seek to violate IEEPA and other laws designed to protect our strategic commodities from those who may wish us harm remains a top priority of the National Security Division.”

According to the allegations contained in the Complaint and Indictment filed against SUN, and statements made in court filings and proceedings in open court:

Since approximately 2011, SUN has attempted to acquire extremely high-grade carbon fiber, including Toray type M60JB-3000-50B carbon fiber (“M60 Carbon Fiber”). M60 Carbon Fiber has applications in aerospace technologies, unmanned aerial vehicles (commonly known as “drones”), and other government defense applications. Accordingly, M60 Carbon Fiber is strictly controlled for nuclear non-proliferation and anti-terrorism reasons. As part of these restrictions, the sale of M60 Carbon Fiber to China without a license is prohibited.

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In furtherance of his attempts to illegally export M60 Carbon Fiber from the United States to China without a license, SUN contacted what he believed was a distributor of carbon fiber – but which was, in fact, an undercover entity created by the Department of Homeland Security, Homeland Security Investigations (“HSI”) and “staffed” by HSI undercover special agents (the “UC Company”). SUN inquired about purchasing the M60 Carbon Fiber without the required license. In the course of his years-long communications with the undercover agents and UC Company, SUN repeatedly suggested various security measures that he believed would protect them from “U.S. intelligence.” Among other such measures, at one point, SUN instructed the undercover agents to use the term “banana” instead of “carbon fiber” in their communications. Consequently, soon thereafter he inquired about purchasing 450 kilograms of “banana” for more than \$62,000. In order to avoid detection, SUN also suggested removing the identifying barcodes for the M60 Carbon Fiber, prior to transshipment, and further suggested that they identify the M60 Carbon Fiber as “acrylic fiber” in customs documents.

On April 11, 2016, SUN traveled from China to New York for the purpose of purchasing M60 Carbon Fiber from the UC Company. During meetings with the undercover agents on April 11 and 12, among other things, SUN suggested that the Chinese military was the ultimate end-user for the M60 Carbon Fiber he sought to acquire from the UC Company, and claimed to have personally worked in the Chinese missile program. SUN further asserted that he maintained a close relationship with the Chinese military, had a sophisticated understanding of the Chinese military’s need for carbon fiber, and suggested that he would be supplying the M60 Carbon Fiber to the Chinese military or to institutions closely associated with it.

On April 12, 2016, SUN agreed to purchase two cases of M60 Carbon Fiber from the UC Company. On that date, SUN paid the undercover agents purporting to represent the UC Company \$23,000 in cash for the carbon fiber, as well as an additional \$2,000 as compensation for the risk he believed the UC Company was taking to illegally export the carbon fiber to China without a license. SUN was arrested the next day.

SUN, 53, is from Shanghai, China.

Mr. Kim and Mr. Boente praised the extraordinary investigative work of the New York Field Office of the Department of Homeland Security, Homeland Security Investigations; the New York Field US Department of Commerce, Office of Export Enforcement, New York Field Office; and the Northeast Field Office of the Department of Defense, Defense Criminal Investigative Service. Mr. Kim also thanked the Counterintelligence and Export Control Section of the Department of Justice’s National Security Division.

This prosecution is being handled by the Office’s Terrorism and International Narcotics Unit and its Complex Frauds and Cybercrime Unit. Assistant United States Attorneys Matthew Podolsky, Patrick Egan, and Nick Lewin are in charge of the prosecution, with assistance from Trial Attorney David Recker of the Counterintelligence and Export Control Section.

## CEO of International Metallurgical Company Sentenced to 57 Months in Prison for Conspiring to Export Specialty Metals to Iran

Earlier today, at the federal courthouse in Brooklyn, New York, Erdal Kuyumcu, the chief executive officer of Global Metallurgy, LLC, based in Woodside, New York, was sentenced to 57 months in prison following his June 14, 2016 guilty plea to conspiracy to violate the International Emergency Economic Powers Act by exporting specialty metals from the United States to Iran. The sentencing proceeding was held before Chief United States District Judge Dora L. Irizarry.

The sentence was announced by Bridget M. Rohde, Acting United States Attorney for the Eastern District of New York, Dana J. Boente, Acting Assistant Attorney General for National Security, William F. Sweeney, Jr., Assistant Director-in-Charge, Federal Bureau of Investigation (FBI), and Jonathan Carson, Special Agent-in-Charge of the U.S. Department of Commerce's Bureau of Industry and Security, Office of Export Enforcement's New York Field Office.

"This Office, together with our law enforcement partners, will continue to use every tool available, including U.S. export laws, to prevent goods with potentially dangerous uses from falling into the wrong hands and jeopardizing our national security," stated Acting United States Attorney Rohde. "Here, the defendant exported a metallic powder that has potential military and nuclear applications to Iran, a state sponsor of terrorism."

"With this sentence, the defendant is being held accountable for conspiring with others to send specialized U.S. technology – over a thousand pounds of metallic powder with nuclear and missile applications – to Iran via Turkey," stated Acting Assistant Attorney General Boente. "The National Security Division will aggressively prosecute those who seek to unlawfully provide dangerous material and technology to Iran, a state sponsor of terrorism."

"Laws exist to keep groups and governments from buying materials in support of doing harm. Iran has demonstrated in this case it is willing to use whatever means necessary to hide the end user of the materials, to include utilizing a U.S. citizen to carry out their proliferating activities," stated Assistant Director-in-Charge Sweeney. "The FBI New York and its foreign and domestic partners work every day to investigate and interdict adversaries from procuring these items and materials to build nuclear and other weapons of mass destruction, which could end up in dangerous hands."

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"Today's sentencing is the result of outstanding collaborative work by the Justice Department, the Commerce Department and the FBI to break up a network whose aim was to illegally ship sophisticated U.S.-origin technology to Iran," said Special Agent-in-Charge Carson. "We will continue to pursue violators wherever they may be."

According to court documents, Kuyumcu, a U.S. citizen, conspired to export from the United States to Iran a metallic powder primarily composed of cobalt and nickel, without having obtained the required license from the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). As established during a two-day presentencing evidentiary hearing, the metallic powder has potential military and nuclear applications. Such specialized metals are regulated by the U.S. Department of Commerce to combat nuclear proliferation and terrorism, and exporting them without the required license is illegal.

In furtherance of the illegal scheme, Kuyumcu and others plotted to obtain more than 1,000 pounds of the metallic powder from a U.S.-based supplier. To hide the true destination of the goods from the supplier, Kuyumcu arranged for the metallic powder to be shipped first to Turkey and then to Iran. Kuyumcu used coded language when discussing shipment of the powder with a Turkey-based co-conspirator, such as referring to Iran as the "neighbor." Shortly after one of the shipments was sent from Turkey to Iran, a steel company in Iran sent a letter-sized package to Kuyumcu's Turkey-based co-conspirator. The Iranian steel company had the same address as an OFAC-designated Iranian entity under the Weapons of Mass Destruction proliferators sanctions program that was associated with Iran's nuclear and ballistic missile programs.

The government's case is being handled by the Office's National Security & Cybercrime Section. Assistant U.S. Attorneys Tiana A. Demas and Ameet B. Kabrawala, and Trial Attorney David Recker from the National Security Division's Counterintelligence and Export Control Section, are in charge of the prosecution.

The Defendant:

ERDAL KUYUMCU  
Age: 45  
Woodside, New York

E.D.N.Y. Docket No. 16-CR-308 (DLI)



## DEPARTMENT OF STATE

### 22 CFR Part 121 [Public Notice 10082] RIN 1400-AE43 Temporary Modification of Category XI of the United States Munitions List

**AGENCY:** Department of State.

**ACTION:** Final rule; notice of temporary modification.

**SUMMARY:** The Department of State, pursuant to its regulations and in the interest of the security of the United States, temporarily modifies Category XI of the United States Munitions List (USML).

**DATES:** Amendatory instructions 1 and 2 are effective August 30, 2017. Amendatory instruction No. 3 is effective August 30, 2018.

**FOR FURTHER INFORMATION CONTACT:** Mr. Robert Monjay, Office of Defense Trade Controls Policy, Department of State, telephone (202) 663-2817; email monjayr@state.gov. ATTN: Temporary Modification of Category XI. SUPPLEMENTARY INFORMATION: On July 1, 2014, the Department published a final rule revising Category XI of the USML, 79 FR 37536, effective December 30, 2014. That final rule, consistent with the two prior proposed rules for USML Category XI (78 FR 45018, July 25, 2013 and 77 FR 70958, November 28, 2012), revised paragraph (b) of Category XI to clarify the extent of control and maintain the existing scope of control on items described in paragraph (b) and the directly related software described in paragraph (d). The Department has determined that exporters may read the revised control language to exclude certain intelligence-analytics software that has been and remains controlled on the USML. Therefore, the Department determined that it is in the interest of the security of the United States to temporarily revise USML Category XI paragraph (b), pursuant to the provisions of 22 CFR 126.2, while a long-term solution is developed. The Department will publish any permanent revision to USML Category XI paragraph (b) addressing this issue as a proposed rule for public comment.

This temporary revision clarifies that the scope of control in existence prior to December 30, 2014 for USML paragraph (b) and directly related software in paragraph (d) remains in effect. This clarification is achieved by reinserting the words “analyze and produce information from” and by adding software to the description of items controlled.

The Department previously published a final rule on July 2, 2015 (80 FR 37974) that temporarily modified USML Category XI(b) until December 29, 2015. The Department published a final rule on December 16, 2015 (80 FR 78130) that continued the July 2, 2015 modification to August 30, 2017. This final rule extends the July 2, 2015 modification to August 30, 2018 to allow the U.S. government to review USML Category XI in full and publish proposed and final rules.

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### Regulatory Findings

#### *Administrative Procedure Act*

The Department is publishing this rule as a final rule based upon good cause, and its determination that delaying the effect of this rule during a period of public comment would be impractical, unnecessary and contrary to public interest. 5 U.S.C. 553(b)(3)(B). In addition, the Department is of the opinion that controlling the import and export of defense articles and services is a foreign affairs function of the United States Government and that rules implementing this function are exempt from sections 553 (rulemaking) and 554 (adjudications) of the Administrative Procedure Act (APA).

#### *Regulatory Flexibility Act*

Since the Department is of the opinion that this rule is exempt from the provisions of 5 U.S.C. 553, there is no requirement for an analysis under the Regulatory Flexibility Act.

#### *Unfunded Mandates Reform Act of 1995*

This rulemaking does not involve a mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any year and it will not significantly or uniquely affect small governments. Therefore, no actions were deemed necessary under the provisions of the Unfunded Mandates Reform Act of 1995.

#### *Small Business Regulatory Enforcement Fairness Act of 1996*

The Department does not believe this rulemaking is a major rule under the criteria of 5 U.S.C. 804.

#### *Executive Orders 12372 and 13132*

This rulemaking does not have sufficient federalism implications to require consultations or warrant the preparation of a federalism summary impact statement. The regulations implementing Executive Order 12372 regarding intergovernmental consultation on Federal programs and activities do not apply to this rulemaking.

#### *Executive Orders 12866 and 13563*

The Department believes that benefits of the rulemaking outweigh any costs, which are estimated to be insignificant. This rulemaking is not an economically significant rule under the criteria of Executive Order 12866, and is consistent with the provisions of Executive Order 13563.

#### *Executive Order 12988*

The Department of State has reviewed this rulemaking in light of sections 3(a) and 3(b)(2) of Executive Order 12988 to eliminate ambiguity, minimize litigation, establish clear legal standards, and reduce burden.

(\*Continued On The Following Page)

*Executive Order 13175*

The Department of State has determined that this rulemaking will not have tribal implications, will not impose substantial direct compliance costs on Indian tribal governments, and will not preempt tribal law. Accordingly, the requirements of Executive Order 13175 do not apply to this rulemaking. Paperwork Reduction Act

This rulemaking does not impose or revise any information collections subject to 44 U.S.C. chapter 35.

*Executive Order 13771*

This rule is not subject to the requirements of EO 13771 (82 FR 9339, February 3, 2017) because it is issued with respect to a foreign affairs function of the United States.

**List of Subjects in 22 CFR Part 121**

Arms and munitions, Classified information, Exports.

For reasons stated in the preamble, the State Department amends 22 CFR part 121 as follows:

**PART 121—THE UNITED STATES MUNITIONS LIST**

■ 1. The authority citation for part 121 continues to read as follows:

**Authority:** Secs. 2, 38, and 71, Pub. L. 90– 629, 90 Stat. 744 (22 U.S.C. 2752, 2778, 2797); 22 U.S.C. 2651a; Pub. L. 105–261, 112 Stat. 1920; Section 1261, Pub. L. 112–239; E.O. 13637, 78 FR 16129.

■ 2. In § 121.1, under Category XI, revise paragraph (b), effective August 30, 2017, to read as follows:

**§ 121.1 The United States Munitions List.**

\*\*\* \*\*

**Category XI—Military Electronics**

\*\*\* \*\*

\*(b) Electronic systems, equipment or software, not elsewhere enumerated in this subchapter, specially designed for intelligence purposes that collect, survey, monitor, or exploit, or analyze and produce information from, the electromagnetic spectrum (regardless of transmission medium), or for counteracting such activities.

\*\*\* \*\*

*(\*Continued On The Following Column)*

■ 3. In § 121.1, under Category XI, revise paragraph (b), effective August 30, 2018, to read as follows:

**§ 121.1 The United States Munitions List.**

\*\*\* \*\*

**Category XI—Military Electronics**

\*\*\* \*\*

\*(b) Electronic systems or equipment, not elsewhere enumerated in this subchapter, specially designed for intelligence purposes that collect, survey, monitor, or exploit the electromagnetic spectrum (regardless of transmission medium), or for counteracting such activities. \*\*\*\* \*

Rex W. Tillerson,

Secretary of State, U.S. Department of State.

[FR Doc. 2017–18482 Filed 8–29–17; 8:45 am]

**BILLING CODE 4710–25–P**

**DEPARTMENT OF HOMELAND SECURITY  
Coast Guard**

**33 CFR Part 117**

**[Docket No. USCG–2017–0785]**

**Drawbridge Operation Regulation; Upper Mississippi River, Rock Island, IL**

AGENCY: Coast Guard, DHS. ACTION: Notice of deviation from drawbridge regulation.

SUMMARY: The Coast Guard has issued a temporary deviation from the operating schedule that governs the Rock Island Railroad and Highway Drawbridge across the Upper Mississippi River, mile 482.9, at Rock Island, Illinois. The deviation is necessary to repair the bridge for safe continued operation. This deviation allows the bridge to remain in the closed-to-navigation position for approximately three (3) hours on one day until the repair is completed.

DATES: This deviation is effective from

6 a.m. through 9 a.m. on September 9, 2017.

ADDRESSES: The docket for this deviation, (USCG–2017–0785) is available at <http://www.regulations.gov>. Type the docket number in the “SEARCH” box and click “SEARCH.” Click on Open Docket Folder on the line associated with this deviation.

*(\*Continued On The Following Page)*

**FOR FURTHER INFORMATION CONTACT:** If you have questions on this temporary deviation, call or email Eric A. Washburn, Bridge Administrator, Western Rivers, Coast Guard; telephone 314-269-2378, email [Eric.Washburn@uscg.mil](mailto:Eric.Washburn@uscg.mil).

**SUPPLEMENTARY INFORMATION:** The U.S. Army Rock Island Arsenal requested a temporary deviation for the Rock Island Railroad and Highway Drawbridge, across the Upper Mississippi River, mile 482.9, at Rock Island, Illinois. The bridge has a vertical clearance of 23.8 feet above normal pool in the closed-to- navigation position. This bridge is governed by 33 CFR 117.5.

This deviation allows the bridge to remain in the closed-to-navigation

## Release of OFAC Civil Penalties Information

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today announced a \$344,800 settlement with Richemont North America, Inc., d.b.a. Cartier ("Richemont"), headquartered in New York, New York, to settle Richemont's potential civil liability for four apparent violations of the Foreign Narcotics Kingpin Sanctions Regulations, 31 C.F.R. Part 598 (FNKSR). Between the approximate dates of October 5, 2010 and April 21, 2011, Richemont appears to have violated § 598.203 of the FNKSR when it exported four shipments of jewelry to Shuen Wai Holding Limited in Hong Kong ("Shuen Wai"), an entity OFAC added to the List of Specially Designated Nationals and Blocked Persons on November 13, 2008. OFAC determined that Richemont did not voluntarily self-disclose the apparent violations to OFAC, and that the apparent violations constitute a non-egregious case.

*"Be thankful for the hard times, for they made have made you."*

## Boston Public Notice

The port of Boston has issued a Public Information Notice addressing an increase in Importer Security Filing (ISF) violations, consisting mainly of late filings. Shipments which arrive in the port without an ISF transmission are automatically put on CBP hold until the ISF transmission is submitted. This increase in ISF holds and possible examinations has caused delays in the processing of other shipments, resulting in potential storage charges at the terminal. Due to the increased volume in late filed ISF submissions, Boston officials have advised the trade community that they may begin issuing liquidated damage claims when necessary in order to ensure compliance by importers. The port of Norfolk has also issued liquidated damage claims and it is likely that other ports will follow suit. Importers, customs brokers and freight forwarders should ensure that all ISF transmissions are timely filed in accordance with the applicable regulations in 19 CFR 149.

*Web Notice: The Directorate of Defense Trade Controls (DDTC) is currently in the process of modernizing its IT systems. During this time period, we anticipate there may be delays in response times and time to resolve IT related incidents and requests. We apologize for any inconvenience, and appreciate your patience while we work to improve DDTC services. If you need assistance, please contact the DDTC Service Desk at (202) 663-2838, or email at [DtradeHelpDesk@state.gov](mailto:DtradeHelpDesk@state.gov) (06.28.16)*

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